

Kaga Electronics Co., Ltd.

**Financial Results Discussion
for the First Quarter of the Fiscal Year Ending March 2023
Main Questions and Answers**

Date of earnings announcement: Thursday, August 4, 2022

<Points to note>

Kaga Electronics does not hold a financial results briefing for the first quarter, but we have summarized questions and answers from IR interviews with analysts and investors after financial results were announced, in the form of "Main Questions and Answers." Please be aware that it is not a transcription of all matters discussed, but rather a brief summary created at Kaga Electronics' discretion.

Please also note that the statements contained in this document that relate to the future, such as results forecasts, are based on information currently available to Kaga Electronics and certain assumptions that have been judged to be reasonable. Actual performance, etc. may differ substantially due to a range of factors.

Q: What were the factors behind the strong performance in the first quarter?

A: The electronic components business recorded a larger-than-anticipated increase in the volume of normal sales, in addition to strong spot sales. Kaga FEI also performed well on the back of an increase in spot sales.

Q: How long will spot sales continue?

A: Spot sales have continued in July and August, mainly for automotive and industrial equipment applications, but will likely start decreasing going forward. At Kaga Electronics, when making spot sales, we are proposing alternative choices in an attempt to turn spot sales into continuous transactions and not let them end as such.

Q: Has there been any impact of the Shanghai lockdown?

A: We have a plant in Suzhou. To minimize the impact without having to halt operations, we tried to work around the situation by making supply and sales channels mutually available to Group companies in China. I might add that currently, there is no lockdown. As the relevant subsidiary in China has a December 31 fiscal year end, we expect that any impact of the Shanghai lockdown would appear in the second quarter.

Q: Are you not revising the dividend?

A: We have not revised our dividend forecast. We plan to review the forecast after seeing the results of the second quarter.

Q: What is your outlook for the second quarter?

A: An upward revision has been made, incorporating only what was overachieved in the first-quarter results.

Given uncertainties in the outlook such as the COVID-19 situation, the situation in Ukraine, and exchange rate fluctuations, and with spot sales expected to decline in the second half, no change has been made to forecasts for the second quarter and beyond from the initial projection made at the beginning of the fiscal year.

Q: What are the factors behind the increase in inventories?

A: The main factors are an increase in components inventory and an increase in EMS inventory. The increase reflects our response to cope with extended lead times in the delivery of components, while in the EMS business, delays in delivery of customer supplied components resulted in an increase in semi-finished products. Thorough management of inventory levels are conducted not only by sales departments and at the plants, but also by administrative departments. Please note that our inventories are basically tied to orders from customers and are not held at our own discretion.

Q: Will you be revising your medium-term management plan?

A: We will incorporate first-half results in the medium-term management plan targets such as net sales, operating income, and ROE, and are currently considering the items to be revised, the timing of the revision, and the target figures.